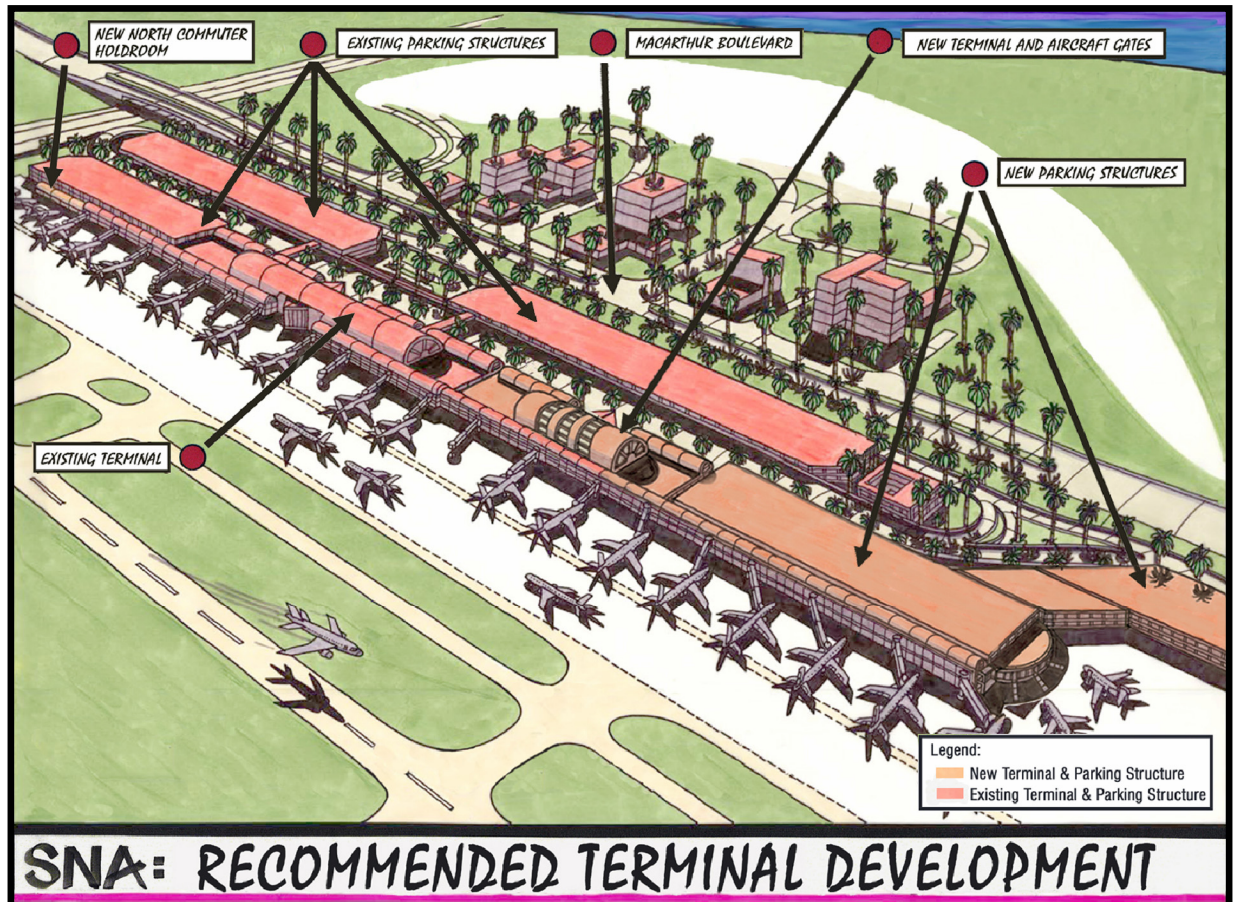




JOHN WAYNE AIRPORT



FISCAL YEAR 2006-2007 BUSINESS PLAN



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FISCAL YEAR 2006-2007 BUSINESS PLAN

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EXECUTIVE SUMMARY

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Safety and customer service continue to be the priorities for, and the hallmark of, John Wayne Airport (JWA). In a successful partnership with both federal security and local law enforcement officials, the Airport remains committed to providing safe and secure facilities for commercial and general aviation operations. After serving more than 100 million passengers in its 15-year life, the Thomas F. Riley Terminal continues to provide travelers with an attractive and efficient airport experience. Valet parking, quality restaurants, expanded news and gift concessions, improved passenger screening checkpoints, and superior general aviation facilities offer travelers the amenities they look for most in an airport.

In order to meet these high standards of security and efficiency, the Airport must and does plan prudently and proactively. JWA's reputation as a sound financial manager and a safe investment is hard won and greatly valued by Airport management. The Airport's success in managing its resources wisely provides a firm foundation upon which facilities are constructed and improved.

Sound planning and fiscal management are not the only contributors to John Wayne Airport's success. JWA benefits greatly from the fact that Orange County provides a strong base of commercial passenger, cargo, and general aviation demand. JWA is fortunate that those who provide service here, the airlines, terminal tenants, and general aviation service providers, are dedicated to working in partnership with the Airport to provide quality aviation services. Last, but certainly not least, the landmark agreement that balances the needs of the traveling public for service with the needs of the local community for environmental sensitivity would not be possible without the support of the Airport's neighbors.

While the Airport is optimistic that the Strategic Goals and Key Outcome Measures presented in this Fiscal Year 2006-07 Business Plan are achievable, a number of significant challenges are anticipated:

The airline industry as a whole continues to struggle with high fuel costs and depressed revenues. Fortunately, Orange County provides a strong market for the airlines and JWA is not faced with substantial service reductions or withdrawals, as are many other airports in the United States. However, the airlines remain extremely concerned about their system-wide fiscal health and long-term operations. Cost-consciousness is at an all-time high within the air carrier industry and this concern is expected to affect how the airlines serving JWA will respond to proposed facility improvements and resulting costs.

JWA continues to work closely with the Transportation Security Administration (TSA), Federal Aviation Administration (FAA), and Airport Police Services (Orange County Sheriff's Department) to ensure the smooth implementation of federally mandated security regulations, and to identify additional steps that can be taken to

provide for the safety of travelers in and around JWA. The sheer number of these regulations and the complexity of integrating them into the current Airport Security Plan will continue to present challenges, from both an operational and a financial perspective.

The Airport continues to manage a growing and changing workload. Implementation of federally mandated security regulations, growth in operational and passenger capacity, maintenance of aging facilities, and implementation of the Settlement Amendment Implementation Plan (SAIP) present tremendous demands on Airport staff. Ensuring that the Airport has sufficient and appropriate human resources to fulfill its responsibilities will be a priority in the coming year.

The tenuous financial position of the airline industry, the number and complexity of security mandates, and the SAIP will all present financial challenges to John Wayne Airport. In the coming fiscal year, JWA must carefully monitor the health and diversity of its revenue stream and carefully develop a prudent financial plan to support the SAIP.

Orange County is experiencing an increase in the number of high-rise residential uses. While high-rise structures in the vicinity of an airport pose unique challenges, when the use is residential, such projects can become particularly challenging. JWA will need to continue working with local jurisdictions and project sponsors to ensure that the Airport's concerns are clearly expressed and appropriate measures are incorporated into the project review and approval process.

In preparing its Fiscal Year 2006-07 Business Plan, JWA considered its broad client base, its varied responsibilities, and anticipated service issues and challenges. Discussion of these issues led to the definition of Strategic Goals, Key Outcome Measures, and specific Strategies, which will guide preparation of the Airport's Fiscal Year 2006-07 budget and staff's continuing efforts to achieve JWA's Mission.

The following goals will guide JWA in the coming year:

- Maintain a safe and secure environment for aviation and the traveling public.
- Provide a positive aviation experience to travelers and tenants.
- Operate in an environmentally responsible manner.
- Operate as a financially efficient and self-supporting aviation facility.
- Continue implementation of the Settlement Amendment Implementation Plan.

In addition to identifying plans and projects for the coming year, this 2006-07 Business Plan includes a review of JWA's accomplishments over the past year. This review demonstrates the Airport's ability to identify and accomplish realistic and worthwhile goals that support its overall Mission, and that are consistent with the County's Budget and Strategic Financial Plan. Some of the Airport's most notable accomplishments during the last year include:

JWA served approximately 9.6 million passengers in 2005, representing the highest annual count in Airport history.

The Airport successfully passed its annual Part 139 Certification Inspection.

The Airport ensured that TSA security regulations were integrated into its Aviation Security Plan and achieved full compliance with required security measures.

The Airport completed its analysis of various financing alternatives for the SAIP and presented these findings, as well as its recommendations to the Board of Supervisors. The Board approved a preferred financing program in December 2005 and the Airport has begun taking steps to implement the selected program, including submittal of a Passenger Facility Charge application to the Federal Aviation Administration.

The Airport awarded a number of major contracts in support of the SAIP in FY 2005-06, including but not limited to: master scheduling and cost estimating.

The Airport presented its recommendations to the Board of Supervisors regarding allocation of the original 73 Class A Average Daily Departures (ADDs). The Board's approval of these recommendations in December 2005 brings a two+ year review and comment period to a successful close.

Working with its concessionaires, the Airport completed installation of "Brioche Dorée" – a new café-style food and beverage location and anticipates substantial progress on the full renovation of the Riley Terminal's central restaurant facility, to be called the "Oasis Grill and Sky Lounge."

JWA received "Excellence in Marketing and Communications" Awards from the Airports Council International-North America for its Annual Report (1st place) and its Web site (2nd place).

The Airport is proud to have achieved the Strategic Goals defined for Fiscal Year 2005-06. JWA is equally committed to accomplishing its Mission and Goals in the coming fiscal year and is looking forward to providing Orange County with safe, secure, and efficient aviation services and facilities.



MISSION AND GOALS

MISSION AND GOALS

During the next fiscal year, in response to the growing demand for aviation services in Orange County and the need for additional facilities to accommodate that demand, the Airport plans to take a number of critical steps toward implementation of the Settlement Amendment Implementation Plan (SAIP). Built upon the Board of Supervisor's approval of the Settlement Agreement amendments, certification of EIR 582, and approval of a financing program, John Wayne Airport will take important steps needed to solidify and extend its reputation as one of the country's most efficient and passenger-friendly airports.

While the SAIP will be a primary focus for JWA in the coming fiscal year, the Airport will continue its strong commitment to safety, security, environmental responsibility and sound financial management. John Wayne Airport's Fiscal Year 2006-2007 Business Plan defines the Mission, Strategic Goals, Key Outcome Measures, and Strategies that will guide the Airport as it endeavors to serve Orange County's aviation users today and in the future.

MISSION

John Wayne Airport plays a unique and crucial role in the Orange County community. It is the only airport in Orange County that provides commercial passenger and air-cargo service and is the primary provider of general aviation services and facilities in the county. It is home to local law enforcement air operations and to medical/mercy flights. JWA is the gateway through which millions of passengers travel each year to their homes, their families, their vacations, and their businesses.

**THE MISSION OF JOHN WAYNE AIRPORT IS TO PLAN, DIRECT,
AND PROVIDE HIGH QUALITY AVIATION SERVICES AND FACILITIES FOR
ORANGE COUNTY IN A SAFE, SECURE, AND EFFICIENT MANNER.**

JWA's Mission Statement clearly reflects that the Airport's value to the community lies in its role as a provider of air transportation services for Orange County. Consistent with that mission, safety and security will continue to be a priority for the Airport in the coming year. In light of the increasing demand for aviation services and facilities, and consistent with its commitment to efficiency, the Airport will also continue its efforts to plan for and provide additional facilities in and around the passenger terminal area.

STRATEGIC GOALS AND KEY OUTCOME MEASURES

JWA's Strategic Goals for Fiscal Year 2006-07 are consistent with those of the previous year. Increasing focus and resources, however, will be dedicated to the Airport's Settlement Amendment Implementation Plan (Strategic Goal #5).

STRATEGIC GOAL #1: Maintain a safe and secure environment for aviation and the traveling public.

KEY OUTCOME MEASURE #1A: Successfully pass the annual Part 139 Airport Certification Inspection.

The Federal Aviation Administration (FAA) provides specifications, guidance, and direction to air carrier airports in order to promote safety and to ensure that there is consistency in commercial aviation activities. Annually, the FAA conducts a comprehensive inspection, a "Part 139 Inspection," to ensure that the Airport is being operated in a safe manner. Failure to pass the Part 139 Inspection could result in decertification as an air carrier airport.

KEY OUTCOME MEASURE #1B: Comply with Transportation Security Administration (TSA) security regulations and the Airport Security Plan.

TSA regulations mandate that each air carrier airport accomplish the necessary elements of passenger and facility security and comply with federal requirements. The JWA "Airport Security Plan" incorporates TSA security directives and regulations and other relevant measures to provide a cohesive plan for the implementation of security measures throughout the Airport.

STRATEGIC GOAL #2: Provide a positive aviation experience to travelers and tenants.

KEY OUTCOME MEASURE #2: 90% of respondents in the Airport's Tenant survey rate JWA "Excellent" or "Good" overall.

JWA regularly surveys both airport tenants and passengers to learn their views of Airport facilities and services. In 2005, both a telephone survey and an intercept survey of Airport users were conducted¹. A total of 95 percent of telephone respondents and 89 percent of intercept respondents found Airport services to be "Excellent" or "Very Good." In 2006, JWA will survey Airport Tenants. Direct input from those served by the Airport helps identify and prioritize facility and service improvements that passengers and tenants desire.

¹ All telephone respondents were Orange County residents. Intercept respondents were a combination of both visitors and Orange County residents who were surveyed in the Riley Terminal.

STRATEGIC GOAL #3:

Operate in an environmentally responsible manner.

KEY OUTCOME MEASURE #3A:

Enforce all provisions of the Commercial Airline Access Plan and Regulation and the General Aviation Noise Ordinance.

The Commercial Airline Access Plan and Regulation (Access Plan) is intended to balance the need for adequate commercial air transportation facilities and services with the desire of the local community for environmentally responsible Airport operations. The General Aviation Noise Ordinance (GANO) regulates the hours of operation and the maximum permitted noise levels associated with general aviation operations.

Successful enforcement of the Access Plan and the GANO requires regular monitoring of specific activities by commercial and general aviation operators. Enforcement of the Access Plan is necessary to ensure compliance with California Environmental Quality Act (CEQA) commitments and related Board actions, as well as to demonstrate the County's willingness and ability to operate JWA in a manner consistent with commitments to the surrounding communities, the air carriers, and the traveling public. Enforcement of the GANO demonstrates the County's commitment to environmentally responsible general aviation operations.

KEY OUTCOME MEASURE #3B:

Ensure all required environmental permits are in place and in good standing.

JWA is subject to a multitude of environmental permitting regulations, including those relating to air quality, water quality, and hazardous material handling. Compliance with these permits is required by law and, as with the Access Plan and the GANO referenced above, demonstrates the County's commitment to operate JWA in an environmentally responsible manner.

STRATEGIC GOAL #4:

Operate as a financially efficient and self-supporting aviation facility.

KEY OUTCOME MEASURE #4A:

Continue a debt service covenant of at least 175 percent².

Starting in 1987, the County has issued Airport Revenue Bonds to finance construction of various Airport facility improvements. JWA revenues are pledged for repayment of this bonded debt. The Bond Indenture imposes a rate covenant on the County to produce Airport net revenues in each fiscal year, which are equal to at least 125 percent of the long-term debt service requirement for the fiscal year. Maintaining the debt service covenant at this level or higher demonstrates both prudent fiscal management and the ability to repay bonded debt, both of which are critical to JWA's ability to fund future projects.

² While the required covenant is 125 percent, JWA has defined 175 percent as a desirable target covenant.

KEY OUTCOME MEASURE #4B:

Maintain an investment grade bond rating.

Credit ratings represent a rating agency's current opinion of an issuer's overall financial capacity to meet its financial obligations. In the case of JWA as an issuer, such an opinion focuses on Airport management's strategy for and ability to meet its financial commitments as they come due. A favorable credit rating helps to reduce the Airport's cost of borrowing and increases the Airport's ability to sell bonds. An investment grade bond rating would be an important building block in any future Airport financing program. The proposed funding sources and uses approved by the Board of Supervisors in December 2005 for the Capital Improvement Program are critical factors for the Airport to demonstrate to the rating agencies the Airport's ability to maintain an investment grade bond.

KEY OUTCOME MEASURE #4C:

Maintain a diverse base of revenue, drawing from both aeronautical and nonaeronautical sources.

The financial strength of JWA is enhanced by the diversity of aeronautical and nonaeronautical revenue sources. Aeronautical revenues are derived from such sources as airline rents and operating fees, hangar fees, and tiedown payments. Nonaeronautical revenue sources include payments from food and beverage providers, news and gift concessions, commercial ground transportation, valet parking, self-parking, and rental car companies. By retaining a variety of revenue sources, JWA can bring financial diversity, and thus stability, to JWA's financial base.

STRATEGIC GOAL #5:

Continue implementation of the Settlement Amendment Implementation Plan (SAIP).

KEY OUTCOME MEASURE #5A:

Achieve significant progress on SAIP enabling projects, including construction of the South Remain-Over-Night aircraft parking area, retention of necessary Architect-Engineering firms and design of the parking structures.

KEY OUTCOME MEASURE #5B:

Proceed with implementation of the comprehensive plan of finance and develop the internal structure necessary to manage all financial aspects of the Capital Improvement Program.

As of December 2005, the Board of Supervisors had approved the policy, environmental and financial framework for implementation of the Airport's Improvement Program. The purpose of that program is to provide additional airport facilities to support the increased passenger capacity authorized by the Settlement Agreement amendments. The Program calls for substantial construction in four stages over a five year period. The Key Outcome Measure for FY 2006-07 will gauge progress with respect to implementation of the first phase of design and construction.



OPERATIONAL PLAN

OPERATIONAL PLAN

JWA's Fiscal Year 2006-2007 Business Plan represents a collaborative effort. All Airport employees were provided with copies of JWA's Fiscal Year 2005-06 Business Plan. Line and management staff from each of JWA's five Divisions participated in reviewing and updating the Mission, Strategic Goals, Key Outcome Measures, and specific Strategies. In addition, the Labor Management Committee reviewed the draft Business Plan and met with Airport management to provide its input.

JWA closely monitors its Business Plan progress through a variety of mechanisms, including: (i) quarterly staff meeting review and discussion; (ii) regular division-level project and progress meetings; (iii) preparation of JWA's annual report, including financial statements; and (iv) supervisor/employee discussions of Performance Incentive Program (PIP) and Management Appraisal Program (MAP) goals and accomplishments which support JWA's Mission and Strategic Goals.

Five Strategic Goals have been defined and a series of focused Key Outcome Measures identified that support the accomplishment of these goals. Associated specific Strategies allow JWA to determine whether its goals have been achieved.

CLIENT PROFILE

JWA serves a wide variety of clients including: (i) the traveling and shipping public; (ii) commercial passenger carriers, commuter passenger carriers, and cargo carriers; (iii) general aviation aircraft operators; (iv) Airport concessionaires and tenants; (v) surrounding communities; (vi) the business community; and (vii) bondholders.

The Traveling and Shipping Public The results of JWA's 2005 "Air Transportation User Survey," indicate that JWA maintains a high overall approval rating from its passengers. A total of 95 percent of telephone participants and 89 percent of intercept respondents (people responding at the Airport) found Airport services to be "Excellent" or "Very Good."

In the 2005 survey, the typical user of JWA was reported to be a male business professional, between the ages of 35 and 44, with an annual household income between \$50,000 and \$99,999. The survey also indicated that, overall, 45 percent of respondents travel on business and 40 percent travel for pleasure.

While a concern for secure aviation services and facilities remains, travelers continue to express their desire for a reasonable balance between security measures, including screening, and an efficient, enjoyable traveling experience. The 2005 survey indicates that travelers feel safe and secure in the Thomas F. Riley Terminal and have an overall satisfaction with the security screening process.

Commercial Passenger Carriers, Commuter Passenger Carriers, and Cargo Carriers In Fiscal Year 2004-05, 9.53 million passengers were served at JWA by 12 commercial passenger carriers. This represents an increase of 5.5 percent over Fiscal Year 2003-04's total of 9.03 million passengers served. According to data published for calendar year 2004 by the FAA, among the nation's 427 passenger airports, JWA was the 42nd busiest airport in terms of enplaned passengers.

Commercial carriers currently serving JWA are: Alaska, Aloha, American, America West, Continental, Delta, Frontier, Mesa, Northwest, Southwest, and United. Commuter carriers now serving the Airport are: American Eagle and Skywest. JWA currently maintains a waiting list of five (5) commercial carriers and one (1) commuter carrier who have indicated a desire to initiate service at the Airport.

Air carriers provide service to various short, medium, and long-haul destinations to meet the needs of both business and leisure travelers. A total of 23 markets are served from JWA. The most popular destinations are: Phoenix, Oakland, Chicago, Dallas/Fort Worth, and Las Vegas.

Almost 20,000 tons of air cargo were processed through JWA in Fiscal Year 2004-05. This represents an increase of 17 percent over the previous year. Two all-cargo carriers, FedEx and UPS, operate between JWA and their respective sorting facilities. FedEx and UPS primarily process “next day” and “second day” cargo through JWA.

The events of September 11th, high fuel costs, depressed industry revenues and industry bankruptcies continue to challenge the aviation industry. Four carriers serving JWA are currently in bankruptcy. In Fiscal Year 2006-07, as in the three previous fiscal years, the carriers are expected to remain focused on two key priorities: ensuring the safety of their customers and improving their financial condition.

General Aviation Aircraft Operators JWA is home to a variety of general aviation aircraft and services. Of the roughly 348,000 total air operations at JWA in Fiscal Year 2004-05, about 70 percent were general aviation. According to data published by the FAA, JWA was the 22nd busiest airport in the country in 2004 in terms of total aircraft operations.

JWA supports a variety of general aviation activities, including charter, instructional, recreational, business, law enforcement, fire fighting, media, and medical/mercy flights (air ambulance). Approximately 600 general aviation aircraft are currently based at JWA, ranging from vintage biplanes and helicopters to corporate jets.

Airport Concessionaires and Tenants JWA has over 200 contracts with service providers located on the Airport. The contracts relate to services provided in the Thomas F. Riley Terminal and those related to general aviation operations.

Tenants focusing on serving the needs of passengers in the Riley Terminal include food and beverage providers, news and gift concessions, commercial ground transportation providers, valet parking, and rental car companies.

Revenues received by retail concessionaires in the terminal increased by 9.0% over Fiscal Year 2003-04. The increase can be attributed primarily to the increase in passenger capacity provided by the amendments to the Settlement Agreement.

In keeping with the desire to offer the highest level of service, the Airport is working closely with tenants to increase product offerings and quality of service until a Request for Proposal is issued for current concessions. This partnership will provide another “News Wall” at the end of the concourse in Terminal A. Additionally, the Airport’s only full-service restaurant, the “Orange Grill,” will be revitalized in the coming months to provide fresh new food concepts and offer a celebrity chef restaurant.

Tenants focusing on general aviation include full service Fixed Base Operators (FBOs), hangar operators, aircraft maintenance, and flight instruction. General aviation-related tenants have noted increased revenues and general business activity over the last fiscal year. Strong demand for tiedowns also continues, as evidenced by the substantial waiting list for tiedown and hangar space at the Airport.

Surrounding Communities Communities surrounding the Airport are frequently interested in the operation of JWA, particularly with respect to aircraft noise and automobile traffic. JWA uses a variety of tools to communicate with interested residents about ongoing operations and projects at the Airport. Those communication tools include brochures, a Web site, and participation of Airport staff in community meetings and forums. Regular public meetings of the Orange County Airport Commission also provide opportunities for interested parties to learn about and comment on Airport proposals and projects.

The annexation of east Santa Ana Heights to the City of Newport Beach became effective on July 1, 2003. The potential annexation of, and Sphere of Influence (SOI) issues regarding, the west Santa Ana Heights community are currently under discussion; the County Executive Office has taken the leadership role on these matters. While this area is in the SOI of the City of Costa Mesa, the City of Newport Beach is exploring whether it will file an application with the Local Agency Formation Commission (LAFCO) to amend the SOI and annex that area. The Airport continues to work with the cities and LAFCO to ensure that all Airport property remains within unincorporated Orange County and under the jurisdiction of the County of Orange.

The Business Community Orange County, once known as a bedroom community with beautiful beaches, has grown into a powerful economic engine with a population that ranks it as the second largest county in California and 5th largest in the nation. Orange County employers, once easily categorized as those who manufacture goods and those who don't, now boast of a diverse economy. The employed labor force in 2004 was approximately 1.6 million, with the largest labor markets comprised of trade (18%), business and professional services (17.7%), and manufacturing (12.5%). Orange County is also home to many firms in the fast-growing high-tech sector.

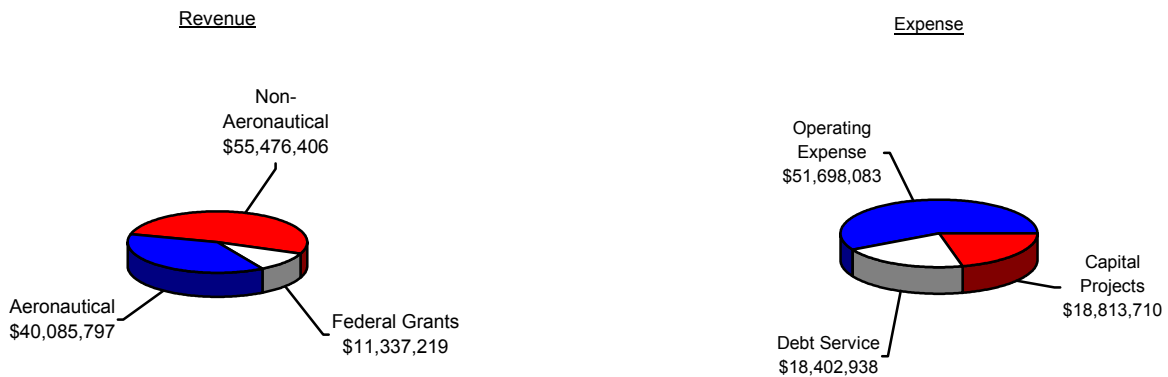
While 45% of JWA passengers cite business as the reason for their trip through the Airport, an almost equal number (40%) of Airport visitors cite pleasure or leisure as the purpose for their travel. Tourism has traditionally been a cornerstone of Orange County's economy and John Wayne Airport plays an important role as the conduit through which travelers reach this area's many amusement parks, shopping, theatre, resorts, and beaches.

Bondholders Under the bond indenture requirements, JWA has an obligation to ensure repayment of its bonds and to maintain a net revenue rate covenant of at least 125 percent. Financial institutions and private mutual funds hold a majority of the Airport bonds as part of their fixed income portfolios. Since 1987, all Airport bonds have been rated at investment grade and have enjoyed a low turnover of bondholders. Moody's, Standard and Poor's, and Fitch currently rate JWA's bonds Aa3, A+, and A+, respectively.

In Fiscal Year 2004-05, \$18.4 million was paid to bondholders. JWA's bondholders have a right to expect sound management of the Airport's revenues and assets; the Airport continues to make such prudent management a high priority for the benefit of the bondholders, tenants, and the traveling public. When JWA is compared to other airports, its rating agencies and major bondholders indicate a high level of confidence in the Airport's financial health.

RESOURCES

Financial Resources The Airport is operated as a department of the County of Orange and is accounted for as a self-supporting enterprise fund in the general purpose financial statements of the County. The Airport derives revenues primarily from nonaeronautical users and aeronautical users, represented by landing fees, terminal space rental, parking, concessions, and general aviation tiedown fees. Federal grants provide an additional source of annual revenue. The Airport's major expenses include operating costs, capital projects, and debt service. The pie charts below identify major revenue and expense segments for fiscal year 2004-05.



As of July 1, 2005 the total outstanding Airport debt was \$118,575,000. Airport bonds are secured by a pledge of net revenues of the Airport Enterprise Fund. The Bond Indenture also imposes a rate covenant on the County to produce net revenues in each fiscal year equal to at least 125 percent of the long-term debt service requirement.

Human Resources JWA operates under the direction of the Airport Director and Assistant Airport Director, and is comprised of five Divisions each managed by a Deputy Airport Director: *Business Development, Facilities, Finance and Administration, Operations, and Public Affairs*. In addition to 164 JWA budgeted positions, the Airport is supported by outstationed, contract employees from the Auditor-Controller (9), County Counsel (1), Resources & Development Management Department (4), Orange County Fire Authority (21 Aircraft Rescue and Fire Fighting personnel), and the Sheriff's Department (139). Airport staff work in close cooperation with nearly 2,900 employees from a variety of private and public airport-related entities to provide safe, secure, and efficient aviation services and facilities around the clock, 365 days a year. A current departmental organization chart is presented in Appendix A of this Business Plan. JWA staff also provides support to the Orange County Airport Commission, the John Wayne Airport Arts Commission, and the Orange County Airport Land Use Commission.

CHALLENGES

JWA faces significant challenges, including some unique to the Airport, and others common to the aviation industry.

Security Issues The Airport works closely with the Transportation Security Administration (TSA), Airport Police Services, Air Carriers, and other Airport tenants to ensure full compliance with the Airport's Security Plan and all federally mandated security regulations.

A significant challenge for JWA involves the continuously evolving allocation of Federal screeners assigned to the Airport. JWA staff will closely monitor TSA staffing that is deemed critical to maximizing the potential of existing capital improvements related to passenger and baggage screening. TSA staffing has direct impact on Airport efficiency and the air traveler experience.

JWA, like other airports in the country, has experienced increased capital and operating costs resulting from compliance with federal security regulations that have evolved since 9/11. The Airport continues to seek 100 percent reimbursement funding from TSA for capital and operating costs related to screening passenger and baggage screening and security.

Airline Industry Uncertainties and Financial Difficulties The airline industry is cyclical, subject to intense competition, and exposed to variable demand. Airline traffic volumes are responsive to economic circumstances and seasonal patterns. The airlines' financial condition is particularly tenuous today due to high fuel costs, depressed revenues and industry overcapacity.

Because airline revenue constitutes 39 percent of the Airport's total operating revenues, JWA will need to continue to closely monitor the airline industry's financial condition and its corresponding impact to the Airport. John Wayne Airport, like other airports who may be contemplating facility improvements, expects pressure from airlines concerned that any increase in airport debt used to finance those improvements will necessitate an increase in airline payments, thus straining the airlines' already limited resources.

Workload Issues The Airport has realized a substantial increase in workload. Workload demands are being driven by implementation of federally mandated security regulations, growth in operational capacity and passengers, additional maintenance of existing facilities, Settlement Amendment Implementation Plan (SAIP) facility and financial planning, and increased legislative and regulatory reviews. In response, managers are (i) re-prioritizing workloads; (ii) monitoring maintenance service contracts performance and efficiency; (iii) leading staff to ensure that time sensitive and critical projects are receiving timely and efficient attention; and (iv) directing non-critical projects to be deferred. JWA is evaluating the impact of increasing workload demands and anticipates requesting additional resources as part of the 2006-2007 budget.

Financial Issues JWA remains proactive in its commitment to prudent financial management. This proactive focus includes: (i) gathering and analyzing data from a multitude of sources on a regular basis; (ii) meeting with tenants to discuss and identify the impact of the aviation industry's financial condition and the impact of the national economy

on their operations; (iii) forecasting airline operations and passenger activity; (iv) contacting rating agencies and bondholders to provide updated financial information and assurances of the Airport's ability to meet debt requirements; and (v) conducting periodic comprehensive financial analyses including rate covenant projections, income statements, and cash flows.

JWA also continues to monitor the long-term financial ramifications of federal security regulations. The Airport has realized increased utility and maintenance costs associated with operation of the in-line baggage screening and passenger screening systems. The Airport has had to pass these costs to the airlines through increased airline rates and charges. While airport costs remain a relatively small percentage of overall airline costs, airport charges are important to airlines, especially during these times of financial difficulty in the industry.

Security assessments have resulted in a multitude of facility enhancements to ensure the security and safety of air travelers. To date, JWA has been successful in securing Airport Improvement Program (AIP) funding to offset the majority of these costs. However, funding for security projects has been and continues to be challenging for the industry. While AIP entitlement funding, AIP discretionary funds, and TSA grant funds have been offered, there are more funding needs throughout the industry than there are funds available.

Airport Area Development Recent trends in land use planning have favored in-fill development in the form of high-rise residential uses. High-rise uses in the vicinity of an airport present a number of challenges and require appropriate lighting and clearances to ensure the safety of air operations. The inclusion of residential uses in such developments poses additional challenges with respect to safety noise exposure levels and appropriate notification to tenants and owners regarding the proximity of the airport.

JWA has been monitoring this development trend and has participated in the project review process of a number of high-rise residential projects already constructed or proposed for construction in the vicinity of the airport. JWA will continue to work with local jurisdictions and project proponents to ensure that the Airport's concerns are clearly expressed and appropriate measures are incorporated into project review and approval processes.

STRATEGIC GOALS, KEY OUTCOME MEASURES, AND STRATEGIES

STRATEGIC GOAL #1: Maintain a safe and secure environment for aviation and the traveling public.

KEY OUTCOME MEASURE #1A: Successfully pass the annual Part 139 Airport Certification Inspection.

KEY OUTCOME MEASURE #1B: Comply with TSA security regulations and the Airport Security Plan.

STRATEGIES:

- 1.1 Implement TSA security regulations and the Airport Security Plan.
- 1.2 Update the Airport Security Plan to reflect significant regulatory changes required by TSA.
- 1.3 Meet regularly with Airport employees, tenants, users, FAA, and TSA to address and resolve issues pertaining to safety and security.

- 1.4 Conduct a table-top emergency exercise in compliance with Part 139 inspection requirements.
- 1.5 Conduct a “table-top” review of the Airport’s Aviation Security Plan (AVSEC) in compliance with TSA requirements.
- 1.6 Provide training and re-training regarding security, safety, and emergency procedures to all Airport-issued security badge holders.
- 1.7 Ensure that all contract service and sterile area workers are properly badged and/or escorted, and that they are aware of and comply with all Airport security policies and procedures.
- 1.8 Continue frequent “safety check” walks to be conducted by the Airport Safety Officer to ensure a hazard-free and clean terminal complex facility.
- 1.9 Provide natural disaster planning/educational materials and training to all Airport staff. Emphasis will be placed on disaster preparedness in the home, the workplace, and personal vehicles.
- 1.10 Conduct a review of emergency supply content, quantity, and storage locations. Conduct orientations and/or training with respect to locations, control and use of emergency supplies for all Airport staff.

STRATEGIC GOAL #2:

Provide a positive aviation experience to travelers and tenants.

KEY OUTCOME MEASURE #2:

90% of respondents in the “Tenant Survey” surveys rate JWA “Excellent” or “Good” overall.

STRATEGIES:

- 2.1 Conduct a survey of Airport Tenants and obtain recommendations for improving Airport facilities and services.
- 2.2 Hold regular, tenant-specific meetings for general aviation and terminal concessionaires that focus on their unique needs and issues.
- 2.3 Closely monitor concession operations to ensure passengers are being adequately served.
- 2.4 Work with the existing concessionaires, where possible, to increase offerings based on the latest results from the Passenger Survey.
- 2.5 Closely manage the major support contracts that provide custodial services, baggage system maintenance, and passenger loading bridge maintenance.
- 2.6 Conduct an assessment of JWA roadway signage and implement an improvement project to replace and/or enhance roadway signs.
- 2.7 Continue ongoing assessment of Airport collateral materials to ensure circulation of current and accurate information to assist the traveling public.
- 2.8 Continue implementation of a Customer Service Program by incorporating ongoing customer service training and standards into JWA’s day-to-day operation.
- 2.9 Review, and where appropriate, revise JWA’s Web site to provide timely, accurate, and user-friendly information.
- 2.10 Complete an Economic Impact Report for John Wayne Airport which will examine the direct, indirect, induced and total impacts associated with the Airport.
- 2.11 Manage the JWA Volunteer Ambassador and Tour Program through ongoing recruitment and training, program awareness and volunteer appreciation.
- 2.12 Manage the JWA Arts Program to continue providing an intellectually enriching travel experience that represents Orange County as a regional cultural center and cultural tourism destination.

STRATEGIC GOAL #3: Operate in an environmentally responsible manner.

KEY OUTCOME MEASURE #3A: Enforce all provisions of the Phase 2 Commercial Airline Access Plan and Regulation, and the General Aviation Noise Ordinance.

KEY OUTCOME MEASURE #3B: Ensure all required environmental permits are in place and in good standing.

STRATEGIES:

- 3.1 Allocate commercial, commuter and cargo operating capacity in accordance with the requirements of the Commercial Airline Access Plan and Regulation.
- 3.2 Monitor all General Aviation, Commercial, Cargo, and Commuter aircraft operations for compliance with the maximum permitted noise levels, and all other capacity utilization provisions.
- 3.3 Publicly report Commercial, Commuter and Cargo Carrier aircraft operations, single event noise exposure levels, and passenger counts on a regular basis.
- 3.4 Where, and as appropriate, incorporate environmental, health, and safety regulations into contracts, leases, easements, and licenses.
- 3.5 Require Airport tenants to submit an annual report on operating permits that confirms compliance with and the status of all required permits including those required by: Orange County Fire Authority, Air Quality Management District, Health Care Agency and Weights and Measures.
- 3.6 Participate in the Orange County Storm Water Quality Task Force. Update the Stormwater Pollution Prevention Plan for JWA, airport tenants and construction projects as necessary.
- 3.7 Update the Spill Prevention and Emergency Response Plan for John Wayne Airport and Airport tenants.

STRATEGIC GOAL #4: Operate as a financially efficient and self-supporting aviation facility.

KEY OUTCOME MEASURE #4A: Continue a debt service covenant of at least 175 percent.

KEY OUTCOME MEASURE #4B: Maintain an investment grade bond rating.

KEY OUTCOME MEASURE #4C: Maintain a diverse base of revenue, drawing from both aeronautical and nonaeronautical sources.

STRATEGIES:

- 4.1 Closely monitor the aviation industry's financial performance and its corresponding impact to JWA.
- 4.2 Maintain an investor relations program directed toward rating agencies in accordance with CEO practice.

- 4.3 Continue fiscal prudence when developing JWA's future budget and closely monitor actual expenditures against the budget.
- 4.4 Obtain FAA grant funds to help fund eligible capital improvement projects.
- 4.5 On a periodic basis, meet with Airport Police Services representatives to review appropriate staffing levels and adjust accordingly.
- 4.6 Continue to seek reimbursement from TSA for funding of the Law Enforcement Officers.
- 4.7 Continue to seek reimbursement from TSA for funding of the Explosive Detection Canine Team Program.
- 4.8 Formulate a policy with the Treasurer for investment of JWA's \$35 million contingency fund in medium- and long-term investments.

STRATEGIC GOAL #5:

Continue implementation of the Settlement Amendment Implementation Plan (SAIP).

KEY OUTCOME MEASURE #5A:

Achieve significant progress on SAIP enabling projects, including construction of the South Remain-Over-Night aircraft parking area, retention of necessary Architect-Engineering firms and design of the parking structures.

KEY OUTCOME MEASURE #5B:

Proceed with implementation of the comprehensive plan of finance and develop the internal structure necessary to manage all financial aspects of the Capital Improvement Program.

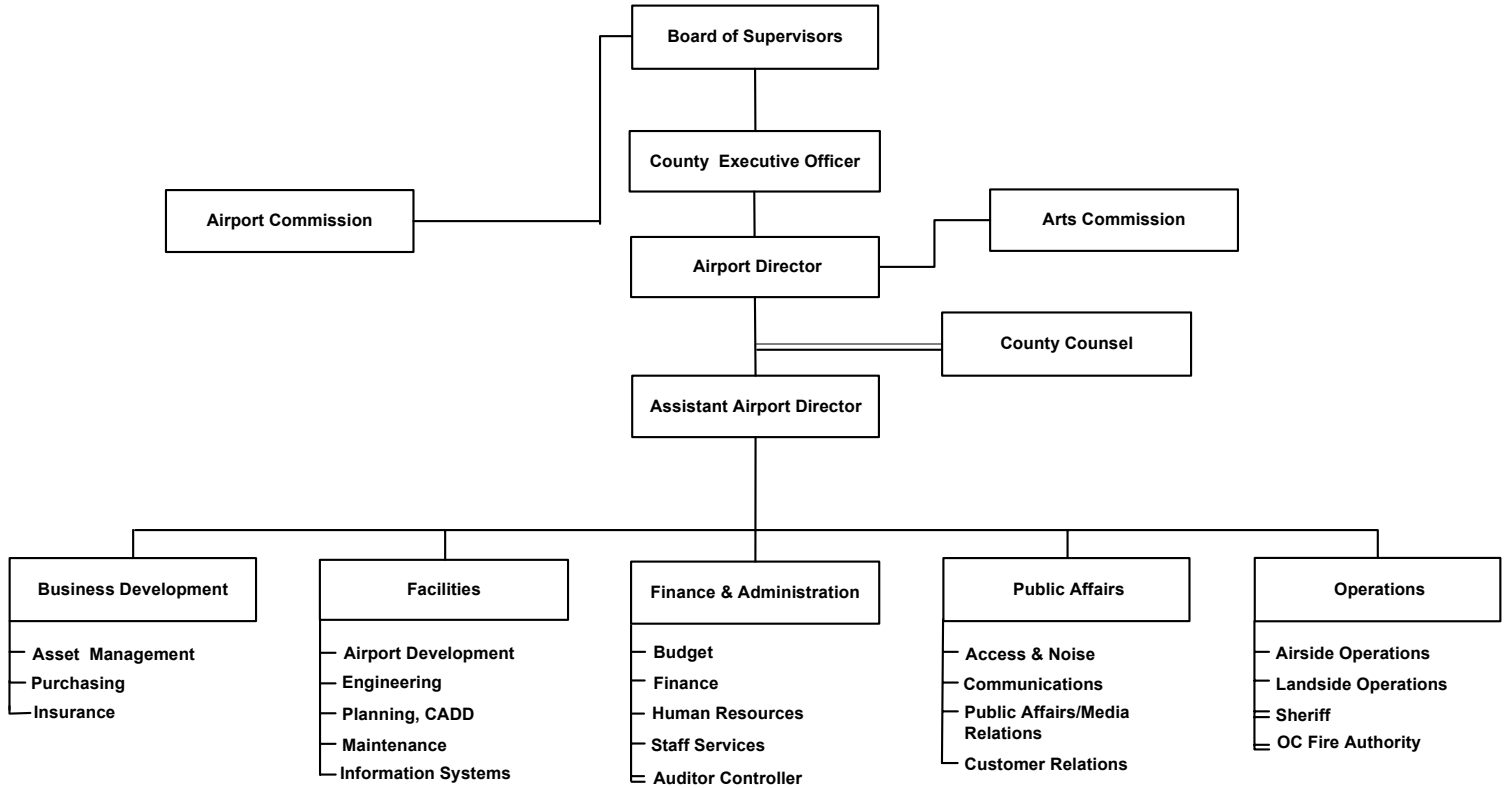
STRATEGIES:

- 5.1 Select and award contract for SAIP construction management firm, parking structure design, and terminal expansion design.
- 5.2 Initiate SAIP "enabling" projects: (i) relocate valet parking; (ii) relocate south Remain-Over-Night (RON) parking; (iii) establish construction staging area; and (iv) construct new south RON area.
- 5.3 Continue implementing the Environmental Compliance Program for SAIP-related mitigation initiatives.
- 5.4 Implement a Passenger Facility Charge (PFC) program at JWA.
- 5.5 Solicit proposals for participation on the Airport SAIP finance team, including: financial advisor(s), bond counsel, disclosure counsel and underwriters. Bond financings in the recommended financing alternative.
- 5.6 Evaluate all concession leases for the existing and planned facilities to meet the needs of the traveling public.
- 5.7 Establish a concession overview/design criteria standard for Terminals A, B and C.
- 5.8 Continue regular communication with local and corporate representatives of the air carriers, concessionaires, ground transportation operators, and other tenants serving John Wayne Airport regarding the nature, scheduled construction, and financing of proposed facility improvements.
- 5.9 Continue to implement a public information program to educate Orange County residents and John Wayne Airport users regarding the Settlement Amendment Implementation Plan.

- 5.10 Develop a job cost structure designed to properly capture and record all SAIP financial activity in the County's financial system. The job structure will include separate components to specifically identify the financial transactions of the PFC program and segregate funds as required by the FAA and SAIP bond indenture(s).
- 5.11 Develop a method to account for the collection of PFCs to ensure all funds are properly recorded and reconciled.
- 5.12 Develop concession tenant improvement standards for the existing and planned facilities in conjunction with the project management terminal design team.
- 5.13 Construct a cogeneration plant facility to provide both improved reliability and reduce future energy costs.
- 5.14 Develop a strategy to procure a natural gas contract.

APPENDIX A: JWA ORGANIZATION CHART

JOHN WAYNE AIRPORT



jw/JWA/Budgeted

Double line = represents outstationed/contract staff

APPENDIX B: MANAGEMENT TEAM

Airport Director Alan L. Murphy

Assistant Airport Director Loan Leblow

Deputy Airport Director, Business Development Roy Freeman

Deputy Airport Director, Facilities Larry Serafini

Deputy Airport Director, Finance and Administration Vacant

Deputy Airport Director, Operations Scott Hagen

Deputy Airport Director, Public Affairs Courtney Wiercioch

APPENDIX C: LABOR MANAGEMENT COMMITTEE

OCEA

Carrie Byron
Scott Hagen
Linda Lee
Paul Lovette
Robert Strickland
Nick Summers
Rich Semon (OCEA Sponsor)

AFL-CIO

Steve Fitzgerald
Britt Griffith
Linda Lee
Lance Bedolla (Craft & Plant Sponsor)
Linda Renta (SEIU Sponsor)

JWA Sponsor

Alan Murphy

LABOR MANAGEMENT COMMITTEE ACCOMPLISHMENTS:

Business Plan

Provided input into the development of the JWA 2006-2007 Business Plan.

Communication

Initiated Sponsor/Leadership Briefings at all LMC meetings to enhance communications.

Bulletin boards were updated frequently with current events and meeting minutes.

LMC promotional events and discounts, including the popular Hotdogger Days, were available to all.

Team Membership and Roles

Filled LMC vacancies as they occurred with new members.

Improved sponsorship participation.

LMC Membership Handbook completed.

Workplace Solution Issues

Through the success of employees and managers working together, no workplace issues were forwarded to the LMC for their resolution.

LMC Meetings

Met on a quarterly basis.

APPENDIX D: BUSINESS PLAN TEAM

Alan L. Murphy
Loan Leblow

Carl Braatz
Carrie Byron
Chris Caliendo
Mary Chin
David DeLeon
Eric Freed
Roy Freeman
Rachel Gibson
Scott Hagen
Laura Jijon
Ann McCarley
Yvonne Neff
Adriana Pineda
Kari Rigoni
Jeff Rountree
Larry Serafini
Sharon Tabata
Diana Tapia
Bill Tormey
Courtney Wiercioch

Labor Management Committee

APPENDIX E: 2005 ACCOMPLISHMENTS

STRATEGIC GOAL #1:

Maintain a safe and secure environment for aviation and the traveling public.

KEY OUTCOME MEASURE #1A:

Successfully pass the annual Part 139 Airport Certification Inspection.

KEY OUTCOME MEASURE #1B:

Comply with TSA security regulations and the Airport Security Plan.

STRATEGIES:

- 1.1 Implement TSA security regulations and the Airport Security Plan.
All security directives and regulations were appropriately implemented. In lieu of a comprehensive annual security inspection in 2005, TSA elected to perform spot inspections on a variety of security issues to include the Airport's contingency (AVSEC) plan, criminal history records check files, law enforcement training records and security directive compliance. No discrepancies were noted by TSA.
- 1.2 Update the Airport Security Plan to reflect significant regulatory changes required by TSA.
The plan was updated and approved by TSA on July 12, 2005.
- 1.3 Meet regularly with Airport employees, tenants, users, FAA, and TSA to address and resolve issues pertaining to safety and security.
Regularly scheduled monthly meetings and those convened on an as-needed basis continue to accomplish essential communication with these groups regarding operations, security, and safety matters.
- 1.4 Conduct a full-scale emergency exercise in compliance with Part 139 inspection requirements.
The full scale triennial exercise required by the FAA was successfully completed on March 2, 2005. The drill simulated an aircraft disaster and included over 350 participants as well as 17 area hospitals. Over 50 agencies were involved including the Orange County Fire Authority, Orange County Sheriff's Department, American Red Cross, Orange County Health Care Agency and the Orange County Transportation Authority.
- 1.5 Conduct a "table-top" review of the Airport's Aviation Security Plan (AVSEC) in compliance with TSA requirements.
The airport conducted the review on June 15, 2005 with required Airport and air carrier representatives in attendance.
- 1.6 Provide training and re-training regarding security, safety, and emergency procedures to all Airport-issued security badge holders.
The Airport continues to provide initial and recurrent training for Security Identification Display Area (SIDA) badge holders and those employees with movement area driving privileges.
- 1.7 Ensure that all contract service and sterile area workers are properly badged and/or escorted, and that they are aware of and comply with all Airport security policies and procedures.
This is an ongoing effort that is accomplished through the coordinated efforts of Airport Operation and Airport Police Services personnel.

- 1.8 Continue frequent “safety check” walks to be conducted by the Airport Safety Officer to ensure a hazard-free and clean terminal complex facility.
These walks are accomplished at least once per month by the Airport Safety Officer. Airport staff conducts inspections on an as-needed basis if safety issues are reported.
- 1.9 Design and construct security enhancements to the airfield access gate at Paularino Street.
This project is pending completion of final negotiations with the City of Costa Mesa regarding road easement.

STRATEGIC GOAL #2:

Provide a positive aviation experience to travelers and tenants.

KEY OUTCOME MEASURE #2:

90% of respondents in the “Air Transportation User” surveys rate JWA “Excellent” or “Good” overall.

STRATEGIES:

- 2.1 Conduct a survey of Air Transportation Users and obtain recommendations for improving Airport facilities and services.
A survey of Airport Passengers was completed in November 2005. Ninety-five percent of telephone participants and 89 percent of intercept respondents (people responding at the Airport) found Airport services to be “Excellent” or “Very Good.” Recommendations for facility and service improvements will be communicated to relevant JWA departments for consideration and action.
- 2.2 Hold regular, tenant-specific meetings for general aviation and terminal concessionaires that focus on their unique needs and issues.
Bi-monthly meetings with general aviation and terminal tenants have been held to facilitate communication and to address issues of concern. The Airport also allows the Orange County Pilot’s Association to hold its regular meetings in the Airport Commission room.
- 2.3 Closely monitor concession operations to ensure passengers are being adequately served.
Bi-monthly inspections of all concessions were conducted during operational hours (5:00 a.m. to 11:00 p.m.) to ensure that they were open and providing acceptable levels of service.
- 2.4 Closely manage the major support contracts that provide custodial services, baggage system maintenance, and passenger loading bridge maintenance.
These contracts are considered essential to Terminal operations and are monitored on a daily basis.
- 2.5 Conduct an assessment of all JWA collateral materials and prepare a program to replace and/or update materials as appropriate.
The collateral review will be complete and a plan in place for replacement/ updating of materials.
- 2.6 Conduct customer service training for all “front-line” Airport staff.
A Customer Service Training plan was completed in December 2005 and training of front line staff will be accomplished by June 2006.
- 2.7 Review, and where appropriate, revise JWA’s Web site to provide timely, accurate, and user-friendly information.
The Web site is continually reviewed and updated as-needed to communicate current information to the many users of JWA facilities and services. JWA’s Web site was recognized in 2005 by the Airports Council International-North America (ACI-NA). The site received Second Place honors in ACI’s national communications competition.

- 2.8 Manage and implement the JWA Arts Program to continue providing an intellectually enriching travel experience that represents Orange County as a regional cultural center and cultural tourism destination.

The JWA Arts Program two exhibits: "Plein Air Paintings from the Irvine Museum" and "Specialized Art in Progress." The Plein Air exhibit was the highest grade classical art exhibition ever held in the Airport and the most valuable ever shown. The SAIP exhibit was designed to help Airport visitors visualize some of the features and elements that may be included in the final Airport Improvement Program design. The JWA Arts Program also held the 16th Annual Student Art Contest.

UNANTICIPATED ACCOMPLISHMENTS

In anticipation of significant increases in passenger levels during the summer of 2005, JWA established a "Summer Plan" Committee comprised of representatives from JWA, the air carriers, and the Transportation Security Administration (TSA) to evaluate and make recommendations regarding staffing, queuing, signage, public information, and other operational improvements. Based on the work of this committee, a number of new customer service measures were identified and implemented. Airport staff collectively worked over 1600 hours assisting travelers and managing screening line queues in the Terminal during peak periods.

The Board awarded a new advertising lease to JCDecaux which provided a new state of the art advertising display program and which included landmark advertising units which showcased Orange County's unique cultural, historical and natural resources.

JWA marked its 15th Anniversary by planning a "Day of Thanks" for passengers and visitors. As a token of appreciation for their support, passengers were provided with refreshments and promotional give-a-ways from JWA and its tenants. In addition, tenants and local businesses donated over 150 prizes to be awarded to passengers through an opportunity drawing.

JWA was awarded first place in the 2005 ACI-NA Excellence in Airport Marketing & Communications Contest for Annual Reports, while the JWA Web site won the second place award for Web sites.

JWA's Intranet allows staff to better assist tenants and passengers by having the ability to access key information quickly and in one location, thus providing enhanced customer service and allowing staff members who utilize the Intranet to perform their job function efficiently.

JWA anticipates re-establishment of an Information Kiosk Program at the Terminal to disseminate information to the public about the airport and services available to the traveling public by June 2006.

STRATEGIC GOAL #3:

Operate in an environmentally responsible manner.

KEY OUTCOME MEASURE #3A:

Enforce all provisions of the Commercial Airline Access Plan and Regulation, and the General Aviation Noise Ordinance.

KEY OUTCOME MEASURE #3B:

Ensure all required environmental permits are in place and in good standing.

STRATEGIES:

- 3.1 Allocate Air Carrier and Commuter Carrier operating capacity in accordance with the requirements of the Commercial Airline Access Plan and Regulation.
On February 8, 2005, the Board approved capacity allocations for the 2005-06 Plan Year.
- 3.2 Maintain a General Aviation Noise Ordinance “Denial Status Report” and issue notices of violation within two weeks of each violation.
The Denial Status Report is maintained. Most notices of violation were issued within one week of the violation.
- 3.3 Monitor and report Commercial Carrier and Commuter Carrier aircraft operations, single event noise exposure levels, and passenger counts on a regular basis.
Commercial carrier aircraft operations and passenger counts are reported publicly in the Monthly Statistics Report. Single Event Noise Levels are documented in the public Quarterly Noise Report.
- 3.4 Where, and as appropriate, incorporate environmental, health, and safety regulations into contracts, leases, easements, and licenses.
Accomplished. As new contracts come on-line, environmental, health, and safety regulations will be included.
- 3.5 Require Airport tenants to submit an annual report on operating permits that confirms compliance with and the status of all required permits including those required by: Orange County Fire Authority, Air Quality Management District, Health Care Agency and Weights and Measures.
Completed.
- 3.6 Participate in the Orange County Storm Water Quality Task Force. Update the Stormwater Pollution Prevention Plan for JWA, airport tenants and construction projects as necessary.
Completed.
- 3.7 Update the Spill Prevention and Emergency Response Plan for John Wayne Airport and Airport tenants.
Completed.

UNANTICIPATED ACCOMPLISHMENTS

Completed two formal comment periods over the past year with the Commercial Carriers and other interested parties regarding the reallocation of “original” capacity, which expires March 31, 2006. The Airport received almost unanimous support from the Commercial Carriers for its recommendations to “grandfather” the “original” capacity through March 31, 2011, and to reallocate to the Carriers five (5) of the nine (9) County-controlled capacity through March 31, 2011.

Airport Access and Noise Office is collaborating with other southern California airports, aircraft manufactures, and air carriers to analyze the possibility for continuous descent approaches for air carrier fuel cost savings and potential noise reduction in the community.

JWA hosted the Quarterly Noise Managers’ Forum. This meeting is held at various airports throughout the state to discuss the latest updates on regulations, legal precedent and technology.

Researched and subscribed to a web-based private service to provide General Aviation jet operator contact information for more accurate and efficient enforcement of the GANO.

STRATEGIC GOAL #4:

Operate as a financially efficient and self-supporting aviation facility.

KEY OUTCOME MEASURE #4A:

Continue a debt service covenant of at least 175 percent.

KEY OUTCOME MEASURE #4B:

Maintain an investment grade bond rating.

KEY OUTCOME MEASURE #4C:

Maintain a diverse base of revenue, drawing from both aeronautical and nonaeronautical sources.

STRATEGIES:

- 4.1 Closely monitor the aviation industry's financial performance and its corresponding impact to JWA.

The financial condition of the airline industry remains tenuous due to high fuel costs, depressed revenues and industry overcapacity. An increase in passenger activity contributed to Fiscal Year 2004-2005 operating revenues of \$95.6 million, which represents a five percent increase over the previous year. Sixty one percent of operating revenue was generated from nonaeronautical sources. Strong operating results were instrumental in providing debt service coverage of 257 percent for the fiscal year.

- 4.2 Maintain an investor relations program directed toward rating agencies in accordance with CEO policy.

JWA successfully maintained an Aa3, A+, A+ rating from Moody's, Standard and Poor's, and Fitch respectively on all outstanding bonds. JWA met periodically with rating agencies to review the Airport's strategic direction, fiscal performance and industry trends. The rating agencies held a high level of confidence in JWA's financial position due to the Airport's strong management, good liquidity position, low debt burden, strong debt service coverage, strong local economy and favorable demand for aviation services. JWA's ratings continue to be among the highest when compared to airports of similar size.

- 4.3 Continue fiscal prudence when developing JWA's future budget and closely monitor actual expenditures against the budget.

JWA took a conservative approach when developing its FY 2005 and FY 2006 budget. The budget is prepared by each Division based on a zero base methodology and reviewed with line item approval at the Department Head level. Actual JWA operating expenses of \$51.7 million for fiscal year 2005 represents approximately 94% of the \$54.8 million budgeted for the same period.

- 4.4 Obtain FAA grant funds to help fund eligible capital improvement projects.

JWA was awarded grant funding of \$12,795,061 for Construction of the South Aircraft Remain-Over-Night Apron Phase II.

- 4.5 Continue to seek reimbursement from the TSA for 100 percent funding of the JWA in-line baggage-screening system capital expense.

Airport continues to seek reimbursement from TSA. Working together, the Airport and the County Executive Office requested and received letters requesting reimbursement from Congressman Cox, Congressman Robrabacher, and Congresswoman Sanchez.

- 4.6 On a periodic basis, meet with Airport Police Services representatives to review appropriate staffing levels and adjust accordingly.

JWA met periodically with Sheriff's Department representatives to review staffing and overtime levels and adjusted accordingly to meet operating and budget requirements.

- 4.7 Construct a cogeneration plant facility to provide both improved reliability and reduce future energy costs.
Design of the cogeneration facility is complete; the project is now in the “plan check” process. Purchase of generators for the facility is complete.

UNANTICIPATED ACCOMPLISHMENTS

A Consent to Assignment for Newport FBO Two (dba Atlantic Aviation) allowed the Airport to reappraise the land value bringing it to market value resulting in increased revenues.

Prompted by an agreement between Master Card and Diners Club International, JWA implemented acceptance of Diners Club Cards, as an additional payment option, for parking patrons utilizing JWA parking lots/structures.

STRATEGIC GOAL #5:

Continue planning for and implementation of the Settlement Amendment Implementation Plan (SAIP).

KEY OUTCOME MEASURE #5:

Prepare and present to the Board of Supervisors a comprehensive SAIP development plan, to include operations, schedule, financing and communications.

STRATEGIES:

- 5.1 Select and award contract for SAIP construction management firm, parking structure design, and terminal expansion design.
The Southeast Parking Structure design build contract is scheduled to be awarded in November 2006. The Terminal Building Design and Construction Management contracts are scheduled to be awarded in FY 2006-07.
- 5.2 Initiate SAIP “enabling” projects: (i) relocate valet parking; (ii) relocate south Remain-Over-Night (RON) parking; (iii) establish construction staging area; and (iv) construct new south RON area.
The plans for the relocation of valet parking and South RON parking are being evaluated. A construction award for the new South RON is scheduled for August 2006.
- 5.3 Begin implementing the Environmental Compliance Program for SAIP-related mitigation initiatives.
The design criteria documents will include all of the related SAIP mitigation issues.
- 5.4 Identify and evaluate all potential SAIP funding sources including, but not limited to: (i) Airport Improvement Program (AIP) grants; (ii) Passenger Facility Charges (PFCs); (iii) General Airport Revenue Bonds; (iv) PFC-backed bonds; (v) Short-term borrowings; (vi) Rental Car Customer Facility Charge (CFC); and (vii) JWA internally-generated funds.
JWA consultant John F. Brown Company completed the SAIP Financial Analysis and Preliminary Financial Plan report in July 2005. This comprehensive report analyzed five financing alternatives for JWA’s Capital Improvement Program (including the SAIP). The report further provided cash flow projections for the proposed project and ongoing JWA operations through fiscal year 2015. John F. Brown Company concluded that the SAIP program was financially feasible and provided a recommended financing alternative for the County’s consideration. The recommended financing alternative was approved by the Board of Supervisors in December 2005.

- 5.5 Complete the financial feasibility and analysis to support the SAIP including preparation of a project financial plan and five year cash flow.
See response to 5.4 above.
- 5.6 Solicit proposals for participation on the Airport SAIP financing team, to include: financial advisor(s), bond counsel and underwriters.
The Airport anticipates retention of some, but not all members of the financing team in FY 2005-06.
- 5.7 Reevaluate all concession leases for the existing and planned facilities.
The Airport continues to work with financial and concession consultants to identify future needs and to insure passengers and others will receive appropriate services during any transition period.
- 5.8 Continue regular communication with local and corporate representatives of the air carriers serving John Wayne Airport regarding the nature, scheduled construction, and financing of proposed facility improvements.
The Airport consulted and met with the air carriers regarding the proposed Passenger Facility Charge (PFC) program at JWA and the Plan of Finance for the SAIP.
- 5.9 Initiate a public information program to educate Orange County residents and John Wayne Airport users regarding the Settlement Amendment Implementation Plan.
The Airport has initiated a Speakers Bureau to provide informational presentations regarding the Settlement Amendment Implementation Plan. Multiple media briefings were provided to local reporters regarding both the proposed improvements and financing program. An exhibition of initial concepts was presented as part of the Airport's rotating art exhibition program.

UNANTICIPATED ACCOMPLISHMENTS

Submitted for approval to the Federal Aviation Administration the Airport's first Passenger Facility Charge (PFC) application. PFCs requested for collection are \$321 million beginning in FY 06-07 and continuing through FY 2021-22.